
SECTION IV - INFRASTRUCTURE

The Department's focus is modernizing the organic infrastructure necessary to support our future naval force. Transforming the Department's outdated support structure is a key step in achieving a more capable force. Currently, much of our infrastructure has begun to age beyond acceptable levels. At the same time, there is a need to better develop and maintain our civilian personnel resources to efficiently support our forces.

BASE REALIGNMENT AND CLOSURE (BRAC) III&IV

The BRAC process has been a major tool for reducing the domestic base structure and generating savings. Continuing to balance the Department's force and base structures by eliminating unnecessary infrastructure is critical to preserving future readiness. The Department of the Navy supports the need for additional base closures. In the FY 2003 budget, the Department has sized construction and sustainment resources (Military Construction and Facilities Sustainment, Restoration and Modernization in O&M) to better meet goals such as a 67-year capitalization rate which incorporates an overarching reduction in the size of our infrastructure.

The Department is committed to a substantial streamlining and upgrading of its infrastructure

The FY 2003 BRAC budget is dedicated exclusively to environmental costs (cleanup and closure related compliance), real estate and caretaker functions prior to property disposal. The DoN has disposed of more than 68,000 acres of base-closure property. An estimated 98,000 acres remain to be conveyed, of which 76,800 acres are at the former NAS Adak, Alaska. The Navy concluded an agreement for transfer of Adak, leaving 44,000 acres for future disposal. In September 2001, the Navy entered into an Environmental Services Cooperative Agreement with the City of Vallejo, California, to transfer 2,824 acres of 4,187 acres at Mare Island Naval Shipyard by second quarter of FY 2002.

BRAC III - Costs reflect the closure or realignment of 91 naval facilities in BRAC III, all of which were completed in FY 1999. The Department is committed to make closed facilities available to community reuse groups as fast as possible.

BRAC IV - The 44 bases and facilities included in BRAC IV completed operational closure by January 2002, with one realignment scheduled for completion by April 2003.

The FY 2003 budget includes funding for crucial environmental efforts at various locations, including the Naval Air Station, Alameda; Naval Station, Treasure Island, including Hunters Point; Naval Air Station, Moffet Field; and

Naval Shipyard, Mare Island. By FY 2005, we plan to complete ninety-eight percent of environmental restoration at all Navy BRAC installations, and plan to have remedies in place at all Marine Corps BRAC installations by the end of FY 2006.

MILITARY CONSTRUCTION AND FAMILY HOUSING

The FY 2003 budget requests 63 military construction projects for the active Navy and Marine Corps, and 9 projects for the Navy and Marine Corps Reserves. Projects incorporated in the budget request include critical mission and quality of life support improvements such as combat aircraft loading areas at Marine Corps Air Station, Yuma; aircraft direct refueling facility at Naval Air Station, Whidbey Island; pier replacement for Naval Station, Norfolk and Naval Air Station, North Island; aircraft parking aprons at Naval Air Stations Lemoore and Point Mugu; dredging a new shipping channel at Naval Station Pascagoula; 14 new bachelor enlisted quarters at 12 locations in CONUS and overseas including, 2 new enlisted recruit barracks at Naval Training



Restoration of the vitality in the defense establishment...

Center, Great Lakes; quality of life facilities including, dining facilities at NAS Keflavik, Iceland; fitness facilities at Camp Lejuene, and Naval Support Activity, Diego Garcia; and various world-wide housing new construction and improvement projects.

FY 2003 MILCON Summary (\$M)			
	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Navy	758	831	743
Marine Corps	<u>215</u>	<u>355</u>	<u>204</u>
Total	973	1,186	947

FAMILY HOUSING

The FY 2003 budget requests funding for 1,147 new and replacement housing units, almost double that of last year. It also sets the Department on a course of eliminating inadequate units in the Navy and Marine Corps by FY 2007 and FY 2005, respectively, by adding nearly \$48 million to the construction account. Improvements are planned for approximately 3,140 units bringing important electrical and mechanical repairs and a much-needed facelift to our aging units worldwide.

Increased reliance on the private sector and in particular, privatization of family housing, continues to be a key focus. By the beginning of FY 2003, the Department plans to have approximately 6,800 units privatized. In FY 2003, the Navy plans to privatize nearly 8,700 units in various locations. The Marine Corps plans include privatization of over 5,000 additional housing units in Beaufort/Parris Island, and a second phase of Camp Pendleton.

Family Housing Units			
	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
New Construction projects	11	7	10
Construction units	1,218	576	1,147
Privatization projects	4,398	1,767	14,060

Also refer to Appendix A for more information:

Military Construction, Navy and Naval Reserve

Family Housing, Navy and Marine Corps

Table

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FACILITY SUSTAINMENT, RESTORATION AND MODERNIZATION (Real Property Maintenance)



The Department has transitioned to a more detailed and credible industry based assessment and readiness model of Facility Sustainment, Restoration and Modernization (FSRM) to keep the required facility inventory at an acceptable quality level through life-cycle maintenance and repair. Appropriate investments of facility sustainment funds are designed

to maintain an inventory of facilities in good working order and preclude its premature degradation. The facility sustainment requirement is calculated by applying both a unit sustainment cost (based upon industry facility standards) and a geographic area cost factor to each facility type's appropriate unit quantity (square feet, linear feet, etc.). A new metric measuring the adequacy of infrastructure investment is "deferred sustainment," which is



Facility sustainment goal of 67 year recapitalization rate for 80% of infrastructure by 2010

the annual difference between the sustainment requirement and actual sustainment funding. The Department's goal is to have no deferred sustainment. Facility improvement (based upon industry facility standards) will be through restoring aged and damaged facilities and modernizing facilities. The "Restoration and Modernization" requirement is based on eliminating, over a six-year period for critical mission areas and a twelve-year period for non-critical mission areas, facility conditions that cause C3 and C4 readiness ratings as described in the Department of the Navy's Installation Readiness Report. The Department's goal for restoration and modernization is to fully fund the requirement.

Included within the DoN FY 2003 budget is \$49 million for the demolition of excess facilities.

Table 17 summarizes the Department's Facility Sustainment, Restoration and Modernization.

Table 17

Department of the Navy Facility

Sustainment, Restoration and Modernization

(In Millions of Dollars)

	FY 2001	% of Goal FY 2002	% of Goal FY 2003	% of Goal
O&MN/O&MNR	1,232	1,323	1,545	
O&MMC/OMMCR	503	432	516	
QOLE,D (Navy)	20	-	-	
QOLE,D (Marine Corps)	10	-	-	
Total DoN O&M Facility SRM	1,765	1,755	2,061	
Annual Deferred Sustainment				
O&MN/O&MNR	0	100%	0	100%
O&MMC/O&MMCR	41	92%	88	80%
Total DON Annual Deferred Sustainment	41	88	0	100%
Restoration and Modernization (R&M) Shortfall				
O&MN/O&MNR	238	81%	144	89%
O&MMC/O&MMCR	422	16%	124	71%
Total DON R&M Shortfall	380	268	297	90%

NAVY WORKING CAPITAL FUND (NWCF)

The NWCF continues to be a major support element for the operating forces of the Navy and Marine Corps with total cost of goods and services to be sold by the NWCF projected to exceed \$22 billion in FY 2003. NWCF activities perform a wide variety of functions including Supply Management, Depot Maintenance, Research & Development, Transportation, and Base Support.

The NWCF continues to pursue some important efforts to improve efficiency and maximize effectiveness. NWCF activities are heavily involved in the Department of the Navy's Strategic Sourcing initiatives and expect to produce

The Department will work to achieve a transformation in business practices.

savings through actions such as A-76 competitions and functionality reviews. Activities within the Depot Maintenance, Research & Development, and Supply Management areas continue to pursue

Enterprise Resource Planning (ERP) pilot projects. ERP will be used to reengineer and standardize business processes, integrate operations and optimize management of resources.

In FY 2001, significant emergent costs were identified involving utilities, principally electricity at PWC San Diego, which took a dramatic upturn (in conjunction with overall volatility in the Southern California electricity market). Fortunately, supplemental (direct) appropriations were received in FY 2001 to fund increased utility costs and this negated the financial impact that the NWCF would have otherwise suffered. Although utility costs in many areas have declined from the peaks experienced in FY 2001, there are instances, especially in Southern California, where electricity will remain significantly more expensive. Thus PWC costs and customer rates for electricity are projected to remain above historical levels throughout the budget period.

FY 2003 cost estimates include \$373 million to reflect the impact of the Administration's proposal to charge agencies the entire Government share of retirement costs of current Civil Service Retirement System (CSRS) employees and the health care costs of all future Federal retirees. However, these costs are not reflected in proposed customer billing rates for FY 2003 but will be recovered through a direct appropriation.

Within the Supply Management area, Navy continues to focus on ensuring sufficient spares are available to support the needs of the Fleet. While aging weapon systems continue to increase the challenges associated with providing the right material at the right place, time, and cost, the introduction of new weapons systems will undoubtedly help stabilize demand and improve the readiness of our force. Within this budget, Navy has included an initiative designed to track the maintenance history of Aviation Depot Level Repairables.

With Serial Number Tracking (SNT), the Department will do away with the paper logbooks that normally accompany such repairables as engines and enable maintainers to quickly download and correlate data to perform root cause analysis. This capability will allow our maintainers to make the proper adjustments, whether they are through engineering change proposals or simply through personnel training, and ultimately improve the reliability and cost effectiveness of material provided by the Navy Supply system. In the area of inventory management, retail obligation authority has been reduced by \$403.4 million in FY 2003 to reflect the transfer of fuel afloat to the Defense Logistics Agency (DLA). Additionally, the Department intends to pursue an initiative designed to sell off inactive inventory. The initiative is expected to achieve \$50 million in proceeds, which will then be applied to the purchase of similar items required to support the Department's readiness objectives.

Lastly, this budget submission reflects a continuing need for inventory augmentation. Inventory augmentation allows the Department to procure new system wholesale stock without creating an excessive burden on the customer or negatively impacting the NWCF cash balance. Inventory augmentation also permits the Department to capture total ownership costs more effectively since the funds are clearly tied to the support of the new weapon systems rather than being accounted for in the cost of operations. Last year's budget included \$125 million in obligation authority and an additional \$125 million of obligation authority has been included within this year submission. In addition, \$51 million has also been included as a direct appropriation to pay for the inventory augmentation material that will deliver in FY 2003.

As indicated in Chart 13, NWCF cash balances for FY 2002 and FY 2003 are projected to remain at levels sufficient to ensure viability of the Fund. Also included in the cash projection are anticipated cash increases based on the initiation of recovery audit programs as recently approved by the Business Initiative Council.

Chart 13 – Cash Plan

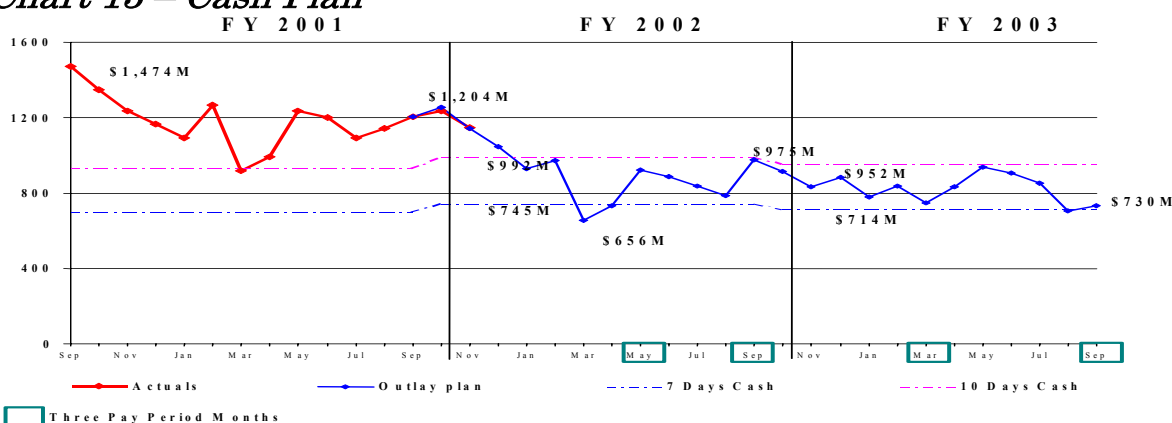


Table 18
Department of the Navy
Summary of NWCF Costs
(In Millions of Dollars)

	FY 2001	FY 2002	FY 2003
<u>COST</u>			
Supply (obligations)	\$5,972	\$7,245	\$6,905
Depot Maintenance - Aircraft	1,825	1,964	2,017
Depot Maintenance - Ships	2,145	2,202	2,298
Depot Maintenance - Marine Corps	190	199	215
Ordnance	2	NA	NA
Transportation	1,380	1,500	1,592
Research and Development	8,157	7,787	7,908
Information Services	88	NA	NA
Base Support	1,790	1,692	1,681
TOTAL	\$21,549	\$22,589	\$22,616
<u>CAPITAL INVESTMENT</u>			
Supply Operations	\$47	\$82	\$52
Depot Maintenance - Aircraft	50	51	47
Depot Maintenance - Ships	59	113	42
Depot Maintenance - Marine Corps	1	5	3
Ordnance	0	NA	NA
Transportation	7	10	14
Research and Development	129	117	116
Information Services	1	NA	NA
Base Support	18	18	19
TOTAL	\$312	\$396	\$293

Note: FY 2001 was the last year that Information Services was maintained as a separate activity group. The Fleet Material Support Office (FMSO), which primarily provides programming support to Navy Supply Management, was merged with the Supply Management activity group in the FY 2002 President's Budget. Additionally, the Naval Reserve Information Systems Office (NAVRISO) became direct mission funded in FY 2002.

CIVILIAN PERSONNEL

The Department of the Navy budget includes the following civilian end strength and workyear estimates:

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
End Strength	193,884	185,167	180,655
FTE Workyears	193,622	185,504	181,314

After more than ten years of steady downsizing, civilians make up about one-third of the Department's population and are valued members of the Total Force team. As the Department strives to build a military more relevant to the threats and opportunities of the 21st Century, there is a focus on improving the efficiency and effectiveness of DoN business practices. These efforts have contributed towards the reshaping of civilian personnel resources as the Department realizes reductions in force structure, management efficiency, the application of advanced technology and alignment with commercial business practices.

... a new strategic human resources plan will size and shape the workforce for the future

Despite declining civilian personnel levels, the Department remains committed to investing in and enriching the lives of its people. Specifically, efforts are underway to achieve a higher quality workplace and a higher quality of life through competitive compensation, workplace resources, health care, training, and an operational tempo that considers the individual, as well as family and community.

Currently, forty-seven percent of the Department's civilians work at Navy Working Capital Fund (NWCF) activities supporting depot level maintenance and repair of ships, aircraft, and associated equipment, development of enhanced war fighting capabilities at the Warfare Centers of Excellence, and direct fleet transportation, supply, and public works support. A significant number of the civilians funded directly by operations appropriations provide direct fleet support at Navy and Marine Corps bases and stations. The balance provides essential support in functions such as training, medical care, and the engineering, development, and acquisition of weapons systems, all of which are necessary for long-range readiness, including achieving recapitalization plans.

Civilian workyears are based on workload in the Department's FY 2001 through FY 2003 program and the appropriate mix of civilian and contractor workload accomplishment. The determination of workforce mix is based on mission, work needs, competency requirements, labor market conditions, public policy and cost.

The desired outcome is a workforce that provides the highest probability of achieving the mission.

Chart 14 - Civilian Personnel

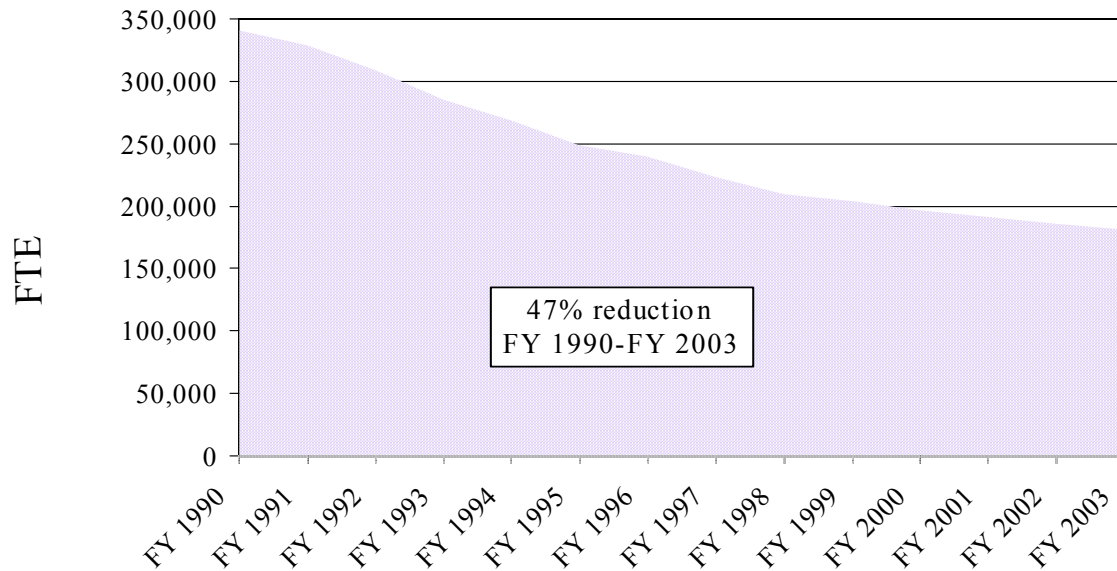


Chart 14 graphically displays Civilian Personnel Full time equivalent reductions from FY 1990 through FY 2003 in consonance with Department downsizing and efficiencies.

A summary display of total civilian personnel resources is provided as Table 19.

Table 19
Department of the Navy
Civilian Manpower
Full-time Equivalent

	FY 2001	FY 2002	FY 2003
Total — Department of the Navy	193,622	185,504	181,314
<u>By Service</u>			
Navy	178,343	171,175	167,528
Marine Corps	15,279	14,329	13,786
<u>By Type Of Hire</u>			
Direct	182,811	174,872	170,652
Indirect Hire, Foreign National	10,811	10,632	10,662
<u>By Appropriation</u>			
Operation and Maintenance, Navy	83,361	78,565	76,074
Operation and Maintenance, Navy Reserve	1,877	1,533	1,455
Operation and Maintenance, Marine Corps	15,129	14,181	13,635
Operation and Maintenance, Marine Corps Reserve	150	148	151
Total — Operation and Maintenance	100,517	94,427	91,315
Total — Working Capital Funds	89,341	87,430	86,234
Military Construction, Navy	2,419	2,240	2,307
Research, Development, Test & Evaluation, Navy	1,301	1,347	1,398
Military Assistance	44	60	60
Total — Other	3,764	3,647	3,765
<u>Special Interest Areas</u>			
Fleet Activities	33,957	33,326	32,724
Shipyards	17,729	18,737	18,917
Aviation Depots	10,391	10,145	9,859
Supply*/Distribution/Logistics Centers	6,479	6,206	5,723
Warfare Centers	35,930	34,839	34,527
Engineering/Acquisition Commands	17,149	16,924	16,211
Medical	10,521	9,911	9,902

*Fleet Material Support Services consolidated into Supply Management beginning in FY 2002.